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UNCLAS SECTION 01 OF 02 DAR ES SALAAM 000432

SIPDIS

STATE FOR AF/E AND AF/EPS
PASS TO USTR BILL JACKSON
PASS TO COMMERCE ROBERT TELCHIN
PASS TO DEPT OF LABOR/ILAB ROBERT YOUNG

SENSITIVE

E.O. 12958:N/A
TAGS: [ETRD](#) [PHUM](#) [PGOV](#) [ELAB](#) [EINV](#) [TZ](#)
SUBJECT: INPUT FOR 2005 PRESIDENT'S REPORT ON AGOA: TANZANIA

REF: SECSTATE 24616

Sensitive but Unclassified (SBU). Protect accordingly.

[11.](#) (SBU) Post submits input for the President's Report on AGOA, as requested reftel. Also, see additional comments in paragraph 6. Point of contact at post is Pol/Econ Officer Jefferson Smith, smithjd@state.gov.

[12.](#) Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade: Since early 1986, the government has launched a comprehensive economic reform and stabilization program. In pursuit of this, agricultural marketing has been liberalized, foreign exchange controls have been lifted, prices deregulated, and a new investment code has attracted increased foreign investment. These reforms have resulted in improved competitiveness, lower tariffs, increasing levels of foreign investment and trade, improved key economic indicators, and integration into world markets. The government has privatized nearly all of its parastatal enterprises. Market forces determine interest and exchange rates. Still, the nascent private sector is weak and poverty persists throughout the country. U.S. investment in Tanzania is slowly increasing but is hindered by corruption, poor infrastructure, and bureaucratic inefficiencies. The latter has significantly prolonged debt repayment and intellectual property protection cases involving major American corporations. The inability to own land or offer it as collateral remains a major impediment to new investment.

[13.](#) Rule of Law/Political Pluralism/Anti-Corruption: Tanzania became a multiparty state in 1992 and held its second multiparty election in October 2000. National elections will be held in October 2005 and the current president will step down due to constitutional term limits. The ruling party is expected to win easily on the mainland, but the contest in Zanzibar is likely to be closer and more contentious. There were no reports of overt political harassment in 2004, nor were any opposition rallies banned during the same year. The judiciary is formally independent but suffers from corruption, inefficiency, and executive influence, particularly in the lower courts. Criminal trials are open to the public and the press. The government participates in the World Bank Institute's anti-corruption and good governance program, has established an Anti-Corruption Commission, and has indicted senior officials and mid-level members of the judiciary for corruption. The government has established a Ministry of Good Governance and a Human Rights Commission as recommended by a 1997 report on corruption, but most other recommendations remain unimplemented.

[14.](#) Poverty Reduction: Macroeconomic stability and steady growth has not led to a significant reduction of poverty. The government of Tanzania is working to address poverty by implementing its PRSP for the HIPC Initiative. According to an IMF-World Bank assessment team, the government has made "significant progress" in PRSP implementation. Priority sectors of the plan include primary education, roads, water, health care services, and agriculture/food security. Tanzania remains dependent on donor-funded projects in each of these areas.

[15.](#) Labor/Child Labor/Human Rights: The government passed new Labor Laws in 2004 strengthening workers rights and prohibitions against child labor; however they are not currently in effect. There was little respect for trade union rights in the privatized industries. The Trade Unions Act allows workers to form trade unions, but dissolved the Tanzania Federation of Free Trade Unions, which though not legally registered was recognized by workers, employers, and international organizations. Labor law on the mainland covers public and private employees, but restricts the right of workers to form unions and to strike. The labor law does not cover government employees on Zanzibar. The Registrar of Trade Unions has broad authority to monitor and discipline the internal conduct of unions. The right to strike is weakened due to the prolonged mandatory dispute settlement procedures. Tanzania has ratified all eight ILO core

conventions and has been a member of the ILO's International Program on the Elimination of Child Labor since 1994. Tanzania is currently participating in the ILO's "Timebound Program to Eliminate the Worst Forms of Child Labor," which seeks to eliminate child labor in the commercial agriculture, commercial sex, domestic service and mining sectors. As of December 2004, approximately 9,000 children have been withdrawn from child labor as a result of the Time-bound Program. Following the January 2001 incidents on Pemba Island in Zanzibar, the ruling party and an opposition party signed an accord that has led to increased political freedom in the country. In May 2003, Tanzania held a free and fair by-election in Pemba for previously contested parliamentary seats as specified under the accord. In the lead-up to the 2005 general elections respect for political rights of opposition parties has decreased. Arbitrary arrest and prolonged detention remained problems. The judicial system often did not provide expeditious and fair trials. Pervasive corruption continued. The government limited privacy and freedom of speech, the press, assembly, and association.

16. Comment: Tanzania has not benefited significantly under AGOA. A few individual companies have been able to export under AGOA, particularly in handicrafts and textiles. However, the U.S. market remains a distant dream for most Tanzanian exporters. There was no new AGOA-related foreign investment in Tanzania in 2004. The most significant barriers to developing an export sector include weak power and transport infrastructure, a largely unskilled work force, and an inability to produce the quantities required by U.S. buyers. End comment.

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